

Message Text

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PAGE 01 JERUSA 01770 230729Z
ACTION NEA-10

INFO OCT-01 ISO-00 IO-13 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03
CIEP-01 LAB-04 SIL-01 OMB-01 /096 W
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R 221450Z DEC 76
FM AMCONSUL JERUSALEM
TO SECSTATE WASHDC 8572
INFO AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY TEL AVIV
USMISSION USUN

LIMITED OFFICIAL USE JERUSALEM 1770

E.O. 11652: N/A
TAGS: PINS, ECON, IS, JO
SUBJECT: COMPROMISE SEEN NEARER IN VAT DISPUTE

REF: JERUSALEM 1741 AND PREVIOUS

1. REPRESENTATIVES OF THE WEST BANK CHAMBERS OF
COMMERCE MET WITH THE MILGOV DEC 22 TO DISCUSS THE
IMPOSITION OF THE VAT.

2. ACCORDING TO THE OFFICIAL COMMUNIQUE OF THE
CHAMBERS OF COMMERCE REPRESENTATIVES, THE MILGOV HAS
OFFERED TO MAKE THE FOLLOWING CONCESSIONS: (A) EXEMPTING
FROM VAT ENTERPRISES THE YEARLY TURNOVER OF WHICH IS
LESS THAN IL 75,000; (B) EXEMPTING FROM BOOKKEEPING
(BUT NOT FROM VAT WHICH WOULD IN LIEU OF BOOKS BE
ASSESSED BY MILGOV) ENTERPRISES THE YEARLY BUSINESS
OF WHICH IS LESS THAN IL 500,000 UNTIL APRIL 1, 1978,
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PAGE 02 JERUSA 01770 230729Z

AND (C) MONTHLY CONSULTATIONS TO REVIEW THE SITUATION.

3. THE CHAMBERS OF COMMERCE DELEGATION ASKED
THAT VAT BE COLLECTED FROM ONLY WB IMPORTERS (AT
THE PORT OF ENTRY), MANUFACTURERS SELLING GOODS
IN ISRAEL AND AGENTS MARKETING GOODS AT PRICES

FIXED BY THE GOI. IN ADDITION, THE WEST BANKERS
ASKED THAT PERSONS WHO PROVIDED SERVICES, IN
PARTICULAR, PROFESSIONALS, BE EXEMPT. THE MILGOV
REPORTEDLY WILL TAKE THIS LAST REQUEST UNDER
ADVISEMENT.

4. COMMENT. DISCUSSION OF THE VAT HAS SHIFTED FOR
THE TIME BEING AT LEAST, AWAY FROM PRINCIPLES
TO PRACTICES. IF THE CHAMBER OF COMMERCE DELEGATION'S
STATEMENT IS ACCURATE, THE MILGOV HAS PUBLICLY AND
OFFICIALLY STATED FOR THE FIRST TIME A WILLINGNESS
TO MAKE CONCESSIONS, MOST IMPORTANTLY THE POSTPONEMENT
OF BOOKKEEPING. ON THE OTHER HAND, THE WEST BANK
BUSINESSMEN NOW SEEM RESIGNED TO PAYING SOME VAT,
BUT PREFERABLY ON TRANSACTIONS OUTSIDE THE WEST BANK.
THERE SEEMS LITTLE LIKELIHOOD OF THIS, BUT THE MILGOV
DOES SEEM OPEN TO RECONSIDERING THE QUESTION OF TAXING
SERVICES. A COMPROMISE WOULD SEEM TO BE IN THE OFFING
UNLESS THE ISSUE IS ONCE AGAIN POLITICIZED AND THE
INITIATIVE PASSED FROM THE BUSINESSMEN TO THE CITY
COUNCILS AND THE STREET.
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